

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION

MARION COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
03/07/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	6-7
Statement of Cash Activities	8-9
Fund Financial Statements:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Statement of Cash and Investments - Fiduciary Funds	12-13
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	14-15
Notes to Financial Statements	16-26
Required Supplementary Information:	
Schedule of Funding Progress	27
Audit Results and Comments:	
Overdrawn Fund Balances	28
Appropriations.....	28
Federal and State Agencies - Compliance Requirements.....	28-29
Certified Report Not Filed	29
Travel Policy	29
Student Fees	29
Credit Card Policy.....	30
Presigning Documents.....	30
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	32-33
Schedule of Expenditures of Federal Awards.....	34-35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs.....	37
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	38
Exit Conference.....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business	Rodney Caldwell James E. McWhirt	07-01-04 to 09-30-06 10-01-06 to 06-30-07
Superintendent of Schools	Dr. Elmo B. Carver Dr. Walter D. Bourke	07-01-04 to 06-30-06 07-01-06 to 06-30-07
President of the School Board	Gene R. Austin Matthew L. Hamner	07-01-04 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE FRANKLIN TOWNSHIP COMMUNITY
SCHOOL CORPORATION, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Township Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 24, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

January 24, 2007



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE FRANKLIN TOWNSHIP COMMUNITY
SCHOOL CORPORATION, MARION COUNTY, INDIANA

We have audited the financial statements of the Franklin Township Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 24, 2007

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 11,732,008
Restricted assets:	
Cash and investments	<u>911,836</u>
Total assets	<u>\$ 12,643,844</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 911,836
Unrestricted	<u>11,732,008</u>
Total net assets	<u>\$ 12,643,844</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 10,022,640
Restricted assets:	
Cash and investments	<u>1,397,806</u>
Total assets	<u>\$ 11,420,446</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,397,806
Unrestricted	<u>10,022,640</u>
Total net assets	<u>\$ 11,420,446</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 20,946,719	\$ -	\$ 388,794	\$ (20,557,925)
Support services	36,826,021	2,550,333	880,146	(33,395,542)
Community services	472,497	-	2,000	(470,497)
Nonprogrammed charges	2,113,350	-	-	(2,113,350)
Debt service	19,782,799	-	-	(19,782,799)
Total governmental activities	\$ 80,141,386	\$ 2,550,333	\$ 1,270,940	(76,320,113)
General receipts:				
Property taxes				32,449,451
Other local sources				3,891,169
State aid				22,735,485
Grants and contributions not restricted				6,452,729
Bonds and loans				7,979,688
Sale of property, adjustments, and refunds				1,045,081
Investment earnings				295,146
Total general receipts				74,848,749
Change in cash and investments				(1,471,364)
Net assets - beginning				14,115,208
Net assets - ending				\$ 12,643,844

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 22,625,507	\$ -	\$ 288,899	\$ (22,336,608)
Support services	45,702,398	2,779,147	1,751,769	(41,171,482)
Community services	533,011	-	-	(533,011)
Nonprogrammed charges	2,513,743	-	-	(2,513,743)
Debt service	19,744,139	-	-	(19,744,139)
Total governmental activities	\$ 91,118,798	\$ 2,779,147	\$ 2,040,668	(86,298,983)
General receipts:				
Property taxes				35,257,133
Other local sources				3,948,883
State aid				24,842,773
Grants and contributions not restricted				5,861,504
Bonds and loans				2,549,929
Sale of property, adjustments, and refunds				12,011,131
Investment earnings				604,232
Total general receipts				85,075,585
Change in cash and investments				(1,223,398)
Net assets - beginning				12,643,844
Net assets - ending				\$ 11,420,446

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 13,051,349	\$ 3,000,019	\$ -	\$ 13,530,156	\$ 4,917,132	\$ 1,258,610	\$ 11,904	\$ 3,517,945	\$ 39,287,115
State sources	26,630,249	1,188,574	-	-	-	-	-	1,288,192	29,107,015
Federal sources	-	-	-	-	-	-	-	1,251,123	1,251,123
Bonds and loans	5,423,158	756,970	-	-	-	-	1,799,560	-	7,979,688
Sale of property, adjustments and refunds	544,544	746	-	-	416	-	499,063	312	1,045,081
Intergovernmental transfers	-	-	500,000	-	-	-	-	13,787	513,787
Total receipts	45,649,300	4,946,309	500,000	13,530,156	4,917,548	1,258,610	2,310,527	6,071,359	79,183,809
Disbursements:									
Current:									
Instruction	20,592,546	-	-	-	-	-	-	354,173	20,946,719
Support services	17,544,815	3,644,856	-	35,382	4,129,065	202,254	6,802,849	4,466,800	36,826,021
Community services	462,195	-	-	-	-	-	-	10,302	472,497
Nonprogrammed charges	1,773,935	-	-	-	-	500,000	-	353,202	2,627,137
Debt services	5,123,408	741,680	-	13,239,124	-	-	-	678,587	19,782,799
Total disbursements	45,496,899	4,386,536	-	13,274,506	4,129,065	702,254	6,802,849	5,863,064	80,655,173
Excess (deficiency) of total receipts over (under) total disbursements	152,401	559,773	500,000	255,650	788,483	556,356	(4,492,322)	208,295	(1,471,364)
Cash and investments - beginning	3,002,012	1,169,912	2,273,832	678,629	3,109,577	12,998	3,000,640	867,608	14,115,208
Cash and investments - ending	<u>\$ 3,154,413</u>	<u>\$ 1,729,685</u>	<u>\$ 2,773,832</u>	<u>\$ 934,279</u>	<u>\$ 3,898,060</u>	<u>\$ 569,354</u>	<u>\$ (1,491,682)</u>	<u>\$ 1,075,903</u>	<u>\$ 12,643,844</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$14,666,368	\$ 3,316,465	\$ -	\$ 14,518,931	\$ 5,563,971	\$ 829,365	\$ 144,301	\$ 4,349,426	\$43,388,827
State sources	28,465,329	810,139	-	-	-	-	-	1,161,105	30,436,573
Federal sources	-	-	-	-	-	-	-	1,508,942	1,508,942
Bonds and loans	2,549,929	-	-	-	-	-	-	-	2,549,929
Sale of property, adjustments and refunds	75,178	1,733	-	-	1,131,957	-	10,796,082	6,179	12,011,129
Intergovernmental transfers	-	-	2,164,626	-	-	-	-	3,432	2,168,058
Total receipts	<u>45,756,804</u>	<u>4,128,337</u>	<u>2,164,626</u>	<u>14,518,931</u>	<u>6,695,928</u>	<u>829,365</u>	<u>10,940,383</u>	<u>7,029,084</u>	<u>92,063,458</u>
Disbursements:									
Current:									
Instruction	20,974,649	-	1,250,000	-	-	-	-	400,858	22,625,507
Support services	19,730,119	4,220,912	97,569	24,075	3,979,025	1,391,577	10,909,235	5,349,886	45,702,398
Community services	521,170	-	-	-	-	-	-	11,841	533,011
Nonprogrammed charges	2,194,299	-	-	-	2,164,626	-	-	322,876	4,681,801
Debt services	4,299,363	756,970	-	14,012,388	-	-	-	675,418	19,744,139
Total disbursements	<u>47,719,600</u>	<u>4,977,882</u>	<u>1,347,569</u>	<u>14,036,463</u>	<u>6,143,651</u>	<u>1,391,577</u>	<u>10,909,235</u>	<u>6,760,879</u>	<u>93,286,856</u>
Excess (deficiency) of total receipts over (under) total disbursements	(1,962,796)	(849,545)	817,057	482,468	552,277	(562,212)	31,148	268,205	(1,223,398)
Cash and investments - beginning	<u>3,154,413</u>	<u>1,729,685</u>	<u>2,773,832</u>	<u>934,279</u>	<u>3,898,060</u>	<u>569,354</u>	<u>(1,491,682)</u>	<u>1,075,903</u>	<u>12,643,844</u>
Cash and investments - ending	<u>\$ 1,191,617</u>	<u>\$ 880,140</u>	<u>\$ 3,590,889</u>	<u>\$ 1,416,747</u>	<u>\$ 4,450,337</u>	<u>\$ 7,142</u>	<u>\$ (1,460,534)</u>	<u>\$ 1,344,108</u>	<u>\$11,420,446</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Cash and investments	\$ 740,156	\$ 118,596	\$ 150,746
 <u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 740,156	\$ 118,596	

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 453,414	\$ 113,127	\$ 13,980
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 453,414	\$ 113,127	

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 24,941	\$ 7,743
Deductions:		
Support services	6,090,397	5,276
Nonprogrammed charges	-	2,000
Total deductions	6,090,397	7,276
Excess (deficiency) of total additions over (under) total deductions	(6,065,456)	467
Cash and investments - beginning	6,805,612	118,129
Cash and investments - ending	\$ 740,156	\$ 118,596

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 12,991	\$ 4,162
Deductions:		
Instruction	-	316
Support services	299,733	6,065
Nonprogrammed charges	-	3,250
Total deductions	<u>299,733</u>	<u>9,631</u>
Deficiency of total additions under total deductions	(286,742)	(5,469)
Cash and investments - beginning	<u>740,156</u>	<u>118,596</u>
Cash and investments - ending	<u>\$ 453,414</u>	<u>\$ 113,127</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Ventures

The School Corporation is a participant with Beech Grove City Schools, Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Edinburg Community School Corporation, Franklin Community School Corporation, Greenwood Community School Corporation, Metropolitan School District of Perry Township, and Nineveh-Hensley-Jackson United School Corporation in a joint venture to operate Central Nine Career Center (Center) which was created to provide for the vocational education needs of their students. The Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Center can be obtained at 1999 U.S. 31 South, Greenwood, IN, 46143.

The School Corporation is a participant with MSD Perry Township, MSD Decatur Township and Beech Grove City Schools in a joint venture to operate the Relating Individualism to Special Education (RISE) Learning Center which was created to provide special education for handicapped children. The School Corporation is obligated to remit funding based upon participation levels annually to supplement the RISE Learning Center. Complete financial statements for RISE Learning Center can be obtained from MSD Perry Township at 6548 Orinoco Ave, Indianapolis, IN, 46227.

The School Corporation is a participant with several other School Corporations in a joint venture to operate the Central Indiana Educational Services Center (CIESC) which was created to provide certain programs and services for participating school districts. The CIESC's continued existence depends on continued funding by the School Corporations. In order to participate in the CIESC, each school district is billed an amount based on each school district's student population. Complete financial statements for the CIESC can be obtained from their office at 6321 Lapas Trail, Indianapolis, IN, 46268.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The construction fund is used to account for capital outlay disbursements from receipts derived from the sale of general obligation bonds or outside sources.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the academic honors students.

The agency fund accounts for assets held by the primary government as an agent for the federal government, state government, and various employee insurance companies.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Compensated Absences

a. Sick Leave

Certified personnel earn sick leave at the rate of 7 to 14 days per year. After the certified staff accumulate and maintain 300, they are credited with 7 days per school year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees upon separation.

Noncertified personnel earn sick leave at the rate of 6 to 8 days per year. Unused sick leave may be accumulated to a maximum of 80 days. Accumulated sick leave is not paid to employees upon separation.

b. Vacation Leave

Administrators on extended contracts are authorized 20 days each school year. Noncertified personnel employees earn vacation leave at rates from 5 to 18 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Accumulated vacation leave is paid to employees upon voluntary separation.

c. Personal Leave

Certified personnel earn personal leave at the rate of 3 days per year. Noncertified personnel earn personal leave at the rate of 2 to 3 days per year. Unused personal leave may be accumulated to a maximum of five days then it accumulates as sick leave. Accumulated personal leave is not paid to employees.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2005 and 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2004	2005
General	\$ -	\$ 400,814
Rainy Day	-	97,569
Debt Service	-	486,387
Special Education Preschool	31,998	-
Totals	<u>\$ 31,998</u>	<u>\$ 984,770</u>

C. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following fund reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

Fund	2005	2006
Construction	\$ 1,491,682	\$ 1,460,534
Lilly Grant/Literacy Initiative	2,250	-
Common School Fund Tech Advance	106,137	24,745
Sch Tech Advance 2005-2006	-	135,682
Title V, Part A ESEA Innovative Prog	4,928	-
Title V, Part A 2005-2006	-	10,372
Title II, Part A 2004-2005	18,817	-
Title II, Part A 2005-2006	-	20,455
RISE/Reimbursement	4,642	6,203
Retirement/Severance Bond Debt Service	22,443	18,941

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements and this deficit is to be repaid from future receipts.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2006, the bank balances and certificates of deposits were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation did not have any investments.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Capital Projects	Rainy Day	\$ -	\$ 2,164,626
School Bus Replacement	Rainy Day	500,000	-
Other governmental	Other governmental	<u>13,787</u>	<u>3,432</u>
Totals		<u>\$ 513,787</u>	<u>\$ 2,168,058</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees, Retirees, and Dependents

During 1991, the School Corporation joined together with other governmental entities to form the Hoosier School Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for four member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees and dependents. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$10,000,000 per insured event.

B. Holding Corporation

The School Corporation has entered into capital leases with Franklin Township School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the year totaled \$12,374,000.

C. Subsequent Events

On October 23, 2006, the School Board approved an energy savings contract for up to \$1.6 million. The final contract was signed on November 13, 2006, with TAC Americas, Inc., in the amount of \$1,218,699 for the installation of an energy management system and selected mechanical equipment upgrade. The financing lease was signed on January 5, 2007, with Bank of America to be paid semi-annually over ten years beginning August 2008.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 31 retirees meet these eligibility requirements. The School Corporation and retirees provides 95% and 5%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$124,390 were recognized for postemployment benefits.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 328,158
Interest on net pension obligation	(33,484)
Adjustment to annual required contribution	38,158
Annual pension cost	332,832
Contributions made	452,835
Decrease in net pension obligation	(120,003)
Net pension obligation, beginning of year	(461,849)
Net pension obligation, end of year	\$ (581,852)

Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06-30-03	\$ 323,261	113%	\$ (317,219)
06-30-04	260,519	156%	(461,849)
06-30-05	332,832	174%	(581,852)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula,

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation contributes the plan members required 3% of their salary and the actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,559,129, \$1,330,341, and \$1,164,814, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,497,698	\$ 3,857,624	\$ (359,926)	91%	\$ 4,623,335	(8%)
07-01-04	3,741,250	4,239,271	(498,021)	88%	5,644,122	(9%)
07-01-05	4,102,023	5,286,512	(1,184,489)	78%	6,134,891	(19%)

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Construction Fund, Common School Technology Advancement Fund, Title V, Part A 2005/2006 Fund, Title II, Part A 2005/2006 Fund, RISE/Reimbursement Fund, and the Retirement/Severance Bond Debt Service Fund were overdrawn during the audit period.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Special Education Preschool	2004	\$ 31,998
General	2005	400,814
Rainy Day	2005	97,569
Debt Service	2005	486,387

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The School Corporation did not withhold social security and Medicare from the Board members' compensation. The School Corporation did not comply with directives of Internal Revenue Service regarding the withholding, the employer match, and the remitting of social security and Medicare tax for Board Members' compensation.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CERTIFIED REPORT NOT FILED

The School Corporation did not file a Certified Report of Compensation of Public Employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2004. A similar comment appeared in prior Audit Reports B16672, B20786, and B24910.

Indiana Code 5-11-13-1 states, in part: "Every ... school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TRAVEL POLICY

The School Corporation does not have a formal travel policy. A similar comment appeared in the prior Audit Report B24910.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

STUDENT FEES

The School Corporation, at the time of charging and collecting textbook rental fees, requires other fees to be paid including, but not limited to, classroom supplies and lab fees for 9th to 12th grades. The School Corporation officials could not provide documentation to verify students received consumable goods or services equal to the fee charged.

The Constitution of the State of Indiana, Article 8, Section 1 states: "Knowledge and learning, generally diffused throughout a community, being essential to the preservation of a free government; it shall be the duty of the General Assembly to encourage, by all suitable means, moral, intellectual, scientific, and agricultural improvement; and to provide, by law, for a general and uniform system of Common Schools, wherein tuition shall be without charge, and equally open to all."

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARD POLICY

The School Corporation and Extra-Curricular Accounts are using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PRESIGNING DOCUMENTS (Applies to Wanamaker Elementary School)

Checks were signed by the Extra-Curricular Account Treasurer before the payee or dollar amount was written on the check.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE FRANKLIN TOWNSHIP COMMUNITY
SCHOOL CORPORATION, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Franklin Township Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 24, 2007

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2004/05 FY 2005/06	\$ 97,003 -	\$ - 112,562
Total for program			97,003	112,562
National School Lunch Program	10.555	FY 2004/05 FY 2005/06	719,118 -	- 822,507
Total for program			719,118	822,507
Total for cluster			816,121	935,069
Team Nutrition Grants	10.574	FY 2005/06	-	500
Total for federal grantor agency			816,121	935,569
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through City of Indianapolis				
Local Law Enforcement Block Grant	16.592	FY 2004/05	2,006	-
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Pass-Through Indiana Department of Education				
State Library Program	45.310	FY 2005/06	-	4,230
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	04-5310 05-5310 06-5310	72,192 323,684 -	- 77,482 315,968
Total for program			395,876	393,450
Safe and Drug Free Schools and Communities - State Grants	84.186	03-036 04-038 05-229	6,428 4,384 -	1,086 13,724 3,388
Total for program			10,812	18,198

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs	84.298	02-086 03-074 04-112 05-269	976 369 26,689 -	- 943 630 22,576
Total for program			<u>28,034</u>	<u>24,149</u>
Education Technology State Grants	84.318	FY 2002/04 FY 2003/05 FY 2004/06 FY 2005/07	1,482 807 320 -	- 9,069 4,962 310
Total for program			<u>2,609</u>	<u>14,341</u>
School Renovation Grants	84.352	FY 2003/04	<u>101</u>	<u>-</u>
English Language Acquisition Grants	84.365	FY 2005/07	<u>4,185</u>	<u>25,776</u>
Improving Teacher Quality State Grants	84.367	02-238 03-086 04-185 05-234	5,305 6,004 97,767 -	- 1,791 3,133 99,283
Total for program			<u>109,076</u>	<u>104,207</u>
Total for federal grantor agency			<u>550,693</u>	<u>580,121</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Education				
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 2005/06	<u>-</u>	<u>1,000</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004	FY 2005/06	<u>-</u>	<u>1,664</u>
Total federal awards expended			<u>\$ 1,368,820</u>	<u>\$ 1,522,584</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Franklin Township Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2005 and 2006:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2005</u>	<u>2006</u>
Refugee and Entrant Assistance State Administered Programs	93.566	\$ -	\$ 1,000

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2005</u>	<u>2006</u>
School Breakfast Program	10.553	\$ 12,874	\$ 15,426
National School Lunch Program	10.555	97,940	113,332

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2007, with James E. McWhirt, Director of Business; Pamela A. Hicks, Assistant Director of Business; and Dr. Walter D. Bourke, Superintendent of Schools.